

COVINGTON PARTNERS, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2021 and 2020

WITH

Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

**The Board of Directors
Covington Partners, Inc.
Covington, Kentucky**

We have audited the accompanying financial statements of Covington Partners, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covington Partners, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bramel & Ackley, P.S.C.

December 28, 2021

COVINGTON PARTNERS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
- ASSETS -		
Cash and cash equivalents	\$ 509,988	\$ 377,586
Contributions receivable	-	100,000
Prepaid expense	2,925	3,836
Total current assets	512,913	481,422
Equipment	\$ 9,159	\$ 9,159
Accumulated depreciation	(6,563)	(5,914)
Equipment - net	2,596	3,245
Total assets	\$ 515,509	\$ 484,667
- LIABILITIES AND NET ASSETS -		
LIABILITIES:		
Accounts payable	\$ 1,952	\$ -
Accrued expenses	54,429	39,437
Unearned revenue	37,159	-
Total liabilities	93,540	39,437
NET ASSETS:		
Without donor restrictions	196,573	193,593
With donor restrictions	225,396	251,637
Total net assets	421,969	445,230
Total liabilities and net assets	\$ 515,509	\$ 484,667

The accompanying notes are an integral part of this statement

COVINGTON PARTNERS, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended June 30, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:			
Contributions	\$ 25,449	\$ 200,637	\$ 226,086
Contributions - in kind	170,042	6,837	176,879
Fundraising events	-	-	-
Total revenues	195,491	207,474	402,965
REVENUE RELEASED FROM RESTRICTION:			
Released from restriction	233,715	(233,715)	-
Net assets released from restriction	233,715	(233,715)	-
Total revenues and other support	429,206	(26,241)	402,965
Expenses:			
Program services	374,706	-	374,706
Management and general	45,010	-	45,010
Fundraising	6,510	-	6,510
Total expenses	426,226	-	426,226
Changes in net assets	2,980	(26,241)	(23,261)
Net Assets Beginning of year	193,593	251,637	445,230
Net Assets End of year	\$ 196,573	\$ 225,396	\$ 421,969

The accompanying notes are an integral part of this statement

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 67,875	\$ 295,904	\$ 363,779
185,363	-	185,363
95,404	-	95,404
<u>348,642</u>	<u>295,904</u>	<u>644,546</u>
<u>223,083</u>	<u>(223,083)</u>	<u>-</u>
<u>223,083</u>	<u>(223,083)</u>	<u>-</u>
<u>571,725</u>	<u>72,821</u>	<u>644,546</u>
391,994	-	391,994
46,156	-	46,156
31,320	-	31,320
<u>469,470</u>	<u>-</u>	<u>469,470</u>
102,255	72,821	175,076
91,338	178,816	270,154
<u>\$ 193,593</u>	<u>\$ 251,637</u>	<u>\$ 445,230</u>

COVINGTON PARTNERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

	<u>Drug & Violence</u>	<u>Family Strengthening</u>	<u>Mentoring</u>	<u>Community Learning Centers</u>	<u>Mental & Physical Health</u>
Contract services	\$ -	\$ 13,901	\$ 43,596	\$ 136,749	\$ 3,475
Other Contract services	-	-	-	11,733	-
Background checks	-	-	1,983	-	-
In kind support	11,608	11,608	80,122	27,236	10,419
Other In kind support	-	-	-	-	5,837
Events	-	-	-	-	-
Travel	-	135	105	-	-
Meetings and conferences	-	-	150	2,661	-
Gifts & promotions	-	-	-	815	-
Communications	-	-	-	-	-
Supplies	-	2,209	126	3,016	967
Insurance	-	-	-	-	-
Food	-	-	147	1,333	-
Printing and Publication	-	-	110	107	-
Credit card fees	-	-	-	-	-
Depreciation	-	-	-	-	-
Training	-	-	-	-	-
Dues and subscriptions	-	-	-	99	-
Total expenses	<u>\$ 11,608</u>	<u>\$ 27,853</u>	<u>\$ 126,339</u>	<u>\$ 183,749</u>	<u>\$ 20,698</u>

The accompanying notes are an integral part of this statement

Operation: MVP	Subtotal Program Events	Fundraising Events	Management And Admin.	Total
\$ -	\$ 197,721	\$ -	\$ -	\$ 197,721
-	11,733	-	4,652	16,385
-	1,983	-	-	1,983
-	140,993	6,400	22,649	170,042
1,000	6,837	-	829	7,666
-	-	110	-	110
-	240	-	877	1,117
-	2,811	-	390	3,201
-	815	-	252	1,067
-	-	-	2,103	2,103
3,459	9,777	-	4,801	14,578
-	-	-	2,428	2,428
-	1,480	-	296	1,776
-	217	-	597	814
-	-	-	930	930
-	-	-	649	649
-	-	-	2,917	2,917
-	99	-	640	739
<u>\$ 4,459</u>	<u>\$ 374,706</u>	<u>\$ 6,510</u>	<u>\$ 45,010</u>	<u>\$ 426,226</u>

COVINGTON PARTNERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	Drug & Violence	Family Strengthening	Mentoring	Community Learning Centers	Mental & Physical Health
Contract services	\$ -	\$ 21,732	\$ 32,678	\$ 115,216	\$ 22,188
Other contract services	2,500	-	-	310	-
Background checks	-	-	1,984	-	-
In kind support	1,622	1,622	157,558	6,488	1,622
Events	-	-	-	-	-
Travel	-	274	288	1,629	-
Meetings and conferences	-	-	105	139	250
Gifts & promotions	-	1,175	-	255	-
Communications	-	-	-	-	-
Supplies	-	931	717	6,628	106
Student incentives	-	282	278	-	-
Insurance	-	-	-	-	-
Transportation	-	-	-	859	-
Food	-	-	554	702	-
Printing and Publication	330	-	-	-	-
Childcare	-	936	-	-	-
Dues and subscriptions	-	-	-	2,896	-
Total expenses	<u>\$ 4,452</u>	<u>\$ 26,952</u>	<u>\$ 194,162</u>	<u>\$ 135,122</u>	<u>\$ 24,166</u>

The accompanying notes are an integral part of this statement

Operation: MVP	Subtotal Program Events	Fundraising Events	Management And Admin.	Total
\$ -	\$ 191,814	\$ -	\$ -	\$ 191,814
-	2,810	-	13,133	15,943
-	1,984	-	-	1,984
-	168,912	1,622	14,829	185,363
-	-	29,698	-	29,698
-	2,191	-	-	2,191
-	494	-	937	1,431
-	1,430	-	372	1,802
-	-	-	1,260	1,260
7,140	15,522	-	8,562	24,084
-	560	-	-	560
-	-	-	2,038	2,038
-	859	-	-	859
-	1,256	-	580	1,836
-	330	-	805	1,135
-	936	-	-	936
-	2,896	-	3,640	6,536
<u>\$ 7,140</u>	<u>\$ 391,994</u>	<u>\$ 31,320</u>	<u>\$ 46,156</u>	<u>\$ 469,470</u>

COVINGTON PARTNERS, INC.

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (23,261)	\$ 175,076
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	649	-
Decrease (increase) in contributions receivable	100,000	(50,000)
Decrease (increase) in prepaid expenses	911	5,174
(Decrease) increase in accounts payable	1,952	(1,076)
(Decrease) increase in accrued expenses	14,992	(6,600)
(Decrease) increase in unearned revenue	37,159	(10,240)
Total adjustments	<u>155,663</u>	<u>(62,742)</u>
Net cash provided by (used in) operating activities	<u>132,402</u>	<u>112,334</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	-	(3,245)
Net cash (used in) investing activities	<u>-</u>	<u>(3,245)</u>
Net change in cash and cash equivalents	132,402	109,089
CASH AT BEGINNING OF YEAR	<u>377,586</u>	<u>268,497</u>
CASH AT END OF YEAR	<u><u>\$ 509,988</u></u>	<u><u>\$ 377,586</u></u>

The accompanying notes are an integral part of this statement

COVINGTON PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Covington Partners, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representative of the Organization's management, which is responsible for their integrity and objectivity. The accounting policies conform to generally accepted principles and have been consistently applied in the preparation of the financial statements.

Nature of Business

Covington Partners, Inc. works to support the whole child through wrap-around services, providing each child in Covington Schools access to the support needed to be successful in school and in life. Through after-school programs, mentoring, youth leadership, visual and performing arts, prevention programs, and health and wellness initiatives, Covington Partners, Inc. is helping Covington Schools make substantial academic progress. The Organization is supported primarily through donor contributions, grants, and the United Way. The Organization operates as a not-for-profit organization, exempt from taxation under Internal Revenue Code Section 501(c)(3).

Basis of Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets – without donor restrictions and with donor restrictions:

- Net Assets Without Donor Restrictions – not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and board of directors of Covington Partners, Inc.
- Net Assets With Donor Restrictions – subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Covington Partners, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

As of June 30, 2021 and 2020, the Organization had \$225,396 and \$251,637 in net assets with donor restrictions, respectively.

Cash and Cash Equivalents

The Organization considers cash and cash equivalents to include cash on hand, cash in banks, and any other cash investments purchased with maturities of 90 days or less.

Property and Equipment

Expenditures greater than \$500 for property and equipment and items which substantially increase the useful lives of existing assets, are capitalized at cost. Depreciation is computed on the straight line basis over 3 to 5 years. Depreciation expense for the years ended June 30, 2021 and 2020 were \$649 and \$0, respectively.

COVINGTON PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Lease Obligation

The Organization uses office space given to it by Covington Independent Public Schools in exchange for maintaining the property. The Organization operates under a non written contract with the school.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Recognition of Donor Restricted Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

All other donor-restricted support is reported as an increase in restricted net assets. When the restriction expires, the restricted assets are then reclassified to unrestricted net assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 – AVAILABILITY AND LIQUIDITY

Covington Partners, Inc. regularly monitors liquidity to meet its operating needs and other contractual commitments. The Organization has two sources of liquidity at its disposal: cash and cash equivalents and accounts receivable.

COVINGTON PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 2 – AVAILABILITY AND LIQUIDITY (CONTINUED)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of drug and violence prevention, family strengthening, mentoring, community learning centers, mental and physical health, extending excellence, and other programs as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2021 and 2020, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 509,988	\$ 377,586
Contributions receivable	-	<u>100,000</u>
Total financial assets	<u>\$ 509,988</u>	<u>\$ 477,586</u>

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization maintains several cash and cash equivalent accounts at two financial institutions in Northern Kentucky. The deposits at June 30, 2021 and 2020 were partially secured by Federal Deposit Insurance. The carrying amounts of the Organization's deposits at June 30, 2021 and 2020 were \$509,544 and \$377,142 and the bank balances were \$507,614 and \$377,487, respectively. There was approximately \$206,449 and \$76,340 that was not federally insured at June 30, 2021 and 2020, respectively.

NOTE 4 – PROGRAM SERVICES

Drug and Violence Prevention

The Leadership and Resiliency Program (LRP) at the Holmes campus is an intensive substance abuse prevention program designed to serve adolescents and teens (ages 12-18) who are "at risk" of failing academically, are having disciplinary problems, substance abuse issues, and/or have severe life stressors. LRP uses a strength-based approach to focus on three key resiliency areas.

Family Strengthening

The family strengthening program offers parental involvement for improved student learning and assistance to parents in working with behavioral and attitude issues. Covington Partners, Inc. is committed to working with the schools of Covington to provide family engagement programs to improve student achievement. Programs include educational and leadership opportunities.

Mentoring

Covington Partners, Inc. is committed to working with the schools of Covington to operate the Covington Mentoring Program. More than 150 adults dedicate two to four hours a month serving as positive role models to youth in Covington. Data shows that these positive relationships are highly impactful and students with mentors increase their school attendance, behavior, and academic achievement.

COVINGTON PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 4 – PROGRAM SERVICES (CONTINUED)

Community Learning Centers

Covington Partners, Inc. is committed to working with the schools of Covington to develop Community Learning Centers in all schools in Covington. Community Learning Centers provide opportunities for academic enrichment, youth development and family and community engagement.

Mental and Physical Health

Covington Partners, Inc. is committed to working with the schools of Covington to provide a health and wellness program called Fitness Rocks. Fitness Rocks focuses on keeping youth healthy and active to help improve student achievement. After school clubs and family fitness nights are offered at all schools to provide opportunities for families to participate in fitness activities and obtain information about nutrition and wellness.

Extending Excellence

Covington Partners, Inc. hosts a two-day summit for out-of-school time providers to learn best practices and effective strategies to improve programming.

Operation: MVP

Covington Partners, Inc. is committed to supporting the physical and emotional well-being of students and families. Since Covington Independent Public Schools made the decision to close in March 2020, Covington Partners, Inc. has collected monetary and product donations to deliver in order to assist families in fulfilling basic needs as well as providing social, emotional, and academic support. Operation: MVP has continued into the 2020-2021 school year and has expanded to include out-of-school time programming.

Other Programs

Covington Partners, Inc. is committed to working with schools of Covington to provide prevention, education, and wellness. Covington Partners, Inc. is committed to working with the schools of Covington to provide research-based prevention programming at Holmes Middle School and Holmes High School. In 2016 the agency provided a new initiative, for Covington High School Students. This initiative provided College Starter Kits for all College bound seniors, to help them be successful in their freshmen year.

NOTE 5 – CONTRIBUTED SERVICES AND IN-KIND SUPPORT

The Organization receives services, materials, and use of facilities without payment or compensation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Materials and other noncash donations are recorded at cost or estimated fair value determined at the date of the donation.

For the year ended June 30, 2021, the Organization recorded services and use of facilities that totaled \$142,754 and \$27,288, respectively, which is included in in-kind revenues in the Statement of Activities. For the year ended June 30, 2020, the Organization recorded services and use of facilities that totaled \$158,315 and \$27,048, respectively, which is included in in-kind revenues in the Statement of Activities. The services and facilities are provided by Covington Independent Public Schools without any provision for reimbursement. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

COVINGTON PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 6 – CONTRACT FOR SERVICES

The Organization has a contract with Covington Independent Public Schools for services of the Resource Development Coordinator, the Mentoring Outreach Coordinator, the Family Engagement Coordinator, the Latonia Elementary CLC Coordinator, Holmes High School CLC Coordinator, the CLC Advocate, and the Data Specialist. Services will be provided by the staff of Covington Independent Public Schools for these services. Covington Partners, Inc. will reimburse Covington Independent Public Schools for the salary and fringe benefits paid to these staff members.

NOTE 7 – 21ST CENTURY GRANT

The Organization manages a 21st Century Community Learning Center state grant awarded to Covington Independent Public Schools. All five elementary schools, Holmes Middle School, and Holmes High School receive a 21st Century Community Learning Center grant which totaled \$440,000 and \$730,000 at June 30, 2021 and 2020, respectively. While the Organization is responsible for securing the funding, managing the budget, and implementing the programming, all funds are received and expended by Covington Independent Public Schools.

NOTE 8 – PROMISES TO GIVE

At June 30, 2021 and June 30, 2020, the Organization has \$0 and \$100,000, respectively, of promises to give that are not conditioned upon the Organization providing specific programming and incurring qualified costs under the agreements.

NOTE 9 – RESTRICTED NET ASSETS

At June 30, 2021 and June 30, 2020, the Organization had restricted net assets of \$225,396 and \$251,637, respectively. The restricted net assets were allocated as follows:

	<u>2021</u>	<u>2020</u>
Community Learning Centers	\$ 74,162	\$ 100,450
Mentoring	-	22,443
Family Strengthening	33,858	16,763
Mental and Physical Health	96,891	90,366
Operation: MVP	18,581	19,332
Extending Excellence	985	985
Other	<u>919</u>	<u>1,298</u>
Total financial assets	<u>\$ 225,396</u>	<u>\$ 251,637</u>

NOTE 10 – COVID-19 CONTINGENCY

As of and subsequent to the date of these financial statements, the World has been responding to an outbreak of respiratory disease caused by a novel coronavirus (COVID-19). COVID-19 has been declared a pandemic by the World Health Organization, and declared a national emergency in the United States of America. The outbreak and response have impacted financial and economic markets across the world and within the United States of America. While the Organization continues to monitor this emergency and adjust accordingly, the impact to the Organization is uncertain as of the date of these financial statements, and as such no adjustment has been made to these financial statements.

COVINGTON PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 11 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 28, 2021, the date which the financial statements were available to be issued.